Q. PLEASE STATE YOUR NAME, ADDRESS, AND OCCUPATION.

A. Brent L. Sires, 101 Executive Center Dr., Columbia, South Carolina. I am employed by the Public Service Commission of South Carolina, Utilities Department, as Chief of Gas.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree, Marketing and Management, from the University of South Carolina and have been employed by this Commission since 1980.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to present to the Commission the Utilities Department's findings resulting from its analysis of Greenville Generating Company, LLC's Application for Certificate of Environmental Compatibility and Public Convenience and Necessity. Specifically, I will address impacts to the natural gas infrastructure of South Carolina to include Local Distribution Companies (LDC's) and end users of the LDC's including residential and industrial customers resulting from the construction of the proposed generating plant. Additionally, I will discuss demand and capacity constraints on the Transco System and what

impact this type project could have on Transco's ability to serve their natural gas markets in South Carolina.

Q. WHAT TYPE OF NATURAL GAS SERVICE WILL GREENVILLE GENERATING COMPANY, LLC REQUIRE FROM TRANSCO?

A. Greenville Generating Company, LLC will seek to contract with Transco for a quantity of 200,000-dt/day of natural gas on an interruptible basis under Transco's interruptible transportation service tariff. The generating plant proposed by the company will utilize natural gas in the summer months to generate electricity to meet peak electric demand on the electric transmission grid.

Q. HOW WILL THIS REQUIREMENT OF NATURAL GAS SERVICE IMPACT THE NATURAL GAS INFRASTRUCTURE OF SOUTH CAROLINA?

A. The natural gas infrastructure of South Carolina consists of seventeen (17) local distribution companies (LDC's) serving 580,462 customers and one intrastate transmission company providing resale service to 15 sale-for-resale customers and 110 direct industrial customers. These customers range from residential, commercial, and industrial to electric generating facilities.

Two interstate natural gas transmission companies provide natural gas service to customers in South Carolina, Transco and Southern Natural.

As a whole the natural gas utilities in South Carolina attempt to secure and maintain a supply portfolio that is in balance with the requirements of their respective sales market. The utilities firm sales market must have a secure and reliable gas supply whose needs are primarily met with long-term firm supply and transportation contracts, supplemented by storage and peaking services.

The utilities fill their supply needs for their respective interruptible market through soliciting spot incremental purchases from reliable suppliers.

The firm market in South Carolina is characterized by residential, commercial and industrial usage for heating and commercial and industrial load on a year round basis for non-heating applications.

To understand how this load requirement of approximately 200,000 dt/day of interruptible service during the summer months would impact natural gas utilities in South Carolina and, particularly, South Carolina Pipeline Corporation (SCPC) and Piedmont Natural Gas

Company (Piedmont), I analyzed each utilities summer usage requirements. Attached, as Exhibit BLS 1 is a graph of natural gas purchases in dekatherms for the twelve-month period ending December 1999. Both SCPC and Piedmont (Total Piedmont North and South Carolina operations) demonstrate higher sales in the winter months. Additionally, a review of released capacity by each utility indicates that when the opportunity to release capacity especially during the summer months becomes available, each utility has attempted to take advantage of the opportunity. Attached, as Exhibit BLS 2 is a graph identifying dekatherms of capacity released by SCPC and Piedmont for the twelve months ending March 2000.

Q. MR. SIRES, WHAT SIGNIFICANCE DO THE LOAD CHARACTERISTICS AND RELEASE CAPACITY ANALYSIS OF SCPC AND PIEDMONT HAVE REGARDING A POTENTIAL IMPACT TO THE NATURAL GAS INFRASTRUCTURE OF SOUTH CAROLINA RESULTING FROM THE APPLICATION BEFORE THE COMMISSION TODAY?

A. I see several significant points raised from this information.

1. Each utility experiences the greatest demand on its system during the winter months. This demand is a

result from the firm markets requirement for natural gas for heating purposes coupled with service to the interruptible market when natural gas supplies are available.

2. The analysis of released capacity indicates that each utility has firm capacity through the Transco system in excess of its respective interruptible and firm customer requirements.

3. Interruptible transportation (IT) when available during the non-winter months through the Transco system would be used by a utility to acquire natural gas when its requirements exceed its firm contract. I do not see Greenville Generating Company's interruptible requirements impacting SCPC or Piedmont negatively regarding moving gas through the Transco System. Neither utility moves a significant amount of gas under an IT contract. I will point out that each utility does on occasion move gas under their respective IT contracts with Transco. SCPC and Piedmont on a daily basis manage their load requirements and look for the opportunity to release capacity for the benefit of the system. There will be occasions when the system will recognize cost savings

resulting from each utility realizing a greater return from the sale of capacity compared to the cost of Interruptible Transportation. Typically, gas would come under the Interruptible Transportation contract for a one or two day period only.

I understand that Greenville Generating Company is currently negotiating an agreement with Piedmont to provide redelivery and/or sales service. Piedmont has informed me that the parties are scheduled to meet the week of February 5th to finalize an agreement. Additionally, by order of the State of the North Carolina Utilities Commission dated the 2nd day of November 1999, certificates of public convenience and necessity were issued to Carolina Power & Light (CP&L). These certificates granted CP&L the authority to construct approximately 800 MW of combustion turbine capacity in Rowan County, North Carolina, and approximately 800 MW of combustion Turbine capacity in Richmond County, North Carolina. Piedmont Natural Gas Company under a negotiated contract serves the Rowan County site. Under this negotiated contract Piedmont provides redelivery service up to 1,900 dt/hr to CP&L. CP&L plans to fuel the natural gas

requirements for this facility via acquiring released capacity, as it becomes available on the Transco system. It is my opinion that as the natural gas electric generating market continues to grow, Greenville Generating Company could eventually look to modify these simple cycle turbines to combined cycle turbines, and as CP&L has indicated, look for a more firm supply by way of acquiring released capacity on the Transco system. As the desire for released capacity increases, I see this as a potential benefit for SCPC and especially Piedmont.

Q. MR. SIRES YOU INDICATE THAT CP&L HAS BEEN GRANTED CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF APPROXIMATELY 1600 MW OF COMBUSTION TURBINE CAPACITY IN NORTH CAROLINA. WHAT REASONS WERE STATED BY CP&L IN SUPPORT OF ITS APPLICATION?

A. As stated in the North Carolina Order, CP&L's most recent demand and energy forecasts indicated that unless CP&L adds additional generating capacity to its system by the summer of 2003, its capacity margin will fall to a negative 1.4% and the utility would not be able to reliably meet its customers' electricity needs. CP&L's need for additional generating capacity is caused by

both normal load growth within its assigned service territories in North and South Carolina as well as certain contractual commitments made by CP&L to provide wholesale power to the North Carolina Membership Corporation and the South Carolina Public Service Authority, also known as Santee Cooper.

Q. MR. SIRES, YOU HAVE INDICATED THAT SANTEE COOPER HAS A CONTRACTUAL AGREEMENT WITH CP&L FOR WHOLESALE POWER.

A. Yes. Santee Cooper currently has two contracts with CP&L for wholesale power. The first contract is for 200 MW for the term 1999 through 2003. The second contract is for a term of one year, June 2001 through May 2002, for 150 MW. Additionally, Santee Cooper has begun construction of a 500 MW combined-cycle unit and two 150 MW combustion turbines projected to come on-line in early 2001. Each of these facilities will be fueled by natural gas delivered through the Transco System.

Q. WOULD YOU EXPLAIN THE TRANSCO SOUTHCOAST EXPANSION PROJECT?

A. Yes. The Transco Southcoast Expansion Project is an expansion of Transco's facilities in Georgia and Alabama to transport an additional 204,099 million British Thermal units (BTU's) of natural gas to twelve shippers

including one electric generating plant. It is my understanding that 80,000 BTU's of this expansion project will serve the Santee Cooper Rainey Generating Station.

Q. DOES TRANSCO HAVE OTHER EXPANSION PROJECTS ON THE HORIZON?

A. Yes. Transco has filed with FERC for a project called Sundance. Additionally, a project called Momentum is expected to begin its open season in the near future. It is my understanding that a majority of the capacity requirements from the Sundance project (91%) will serve electric generation requirements. I also understand that a number of electric utilities, for example Southern Company, have indicated a possible interest in the Momentum project.

Q. MR. SIRES YOU HAVE INDICATED THAT CP&L, AND SANTEE COOPER HAVE CONSTRUCTED NATURAL GAS FUELED ELECTRIC GENERATING FACILITIES: HAVE YOU FOUND OTHER ELECTRIC UTILITIES IN THIS STATE CONSTRUCTING THEM?

A. Yes. South Carolina Electric & Gas Company has plans to retrofit its Urquart electric generating facility. This facility currently has three coal-fired boilers. SCE&G plans to replace two of the three boilers with natural

gas fired combustion turbines. SCE&G has contracted with South Carolina Pipeline Corporation for 50,000 dt/day of firm natural gas service to fuel this facility.

Q. WHAT ROLE DO YOU SEE NATURAL GAS PLAYING IN THE NEXT TEN YEARS FOR THE GENERATION OF ELECTRICITY?

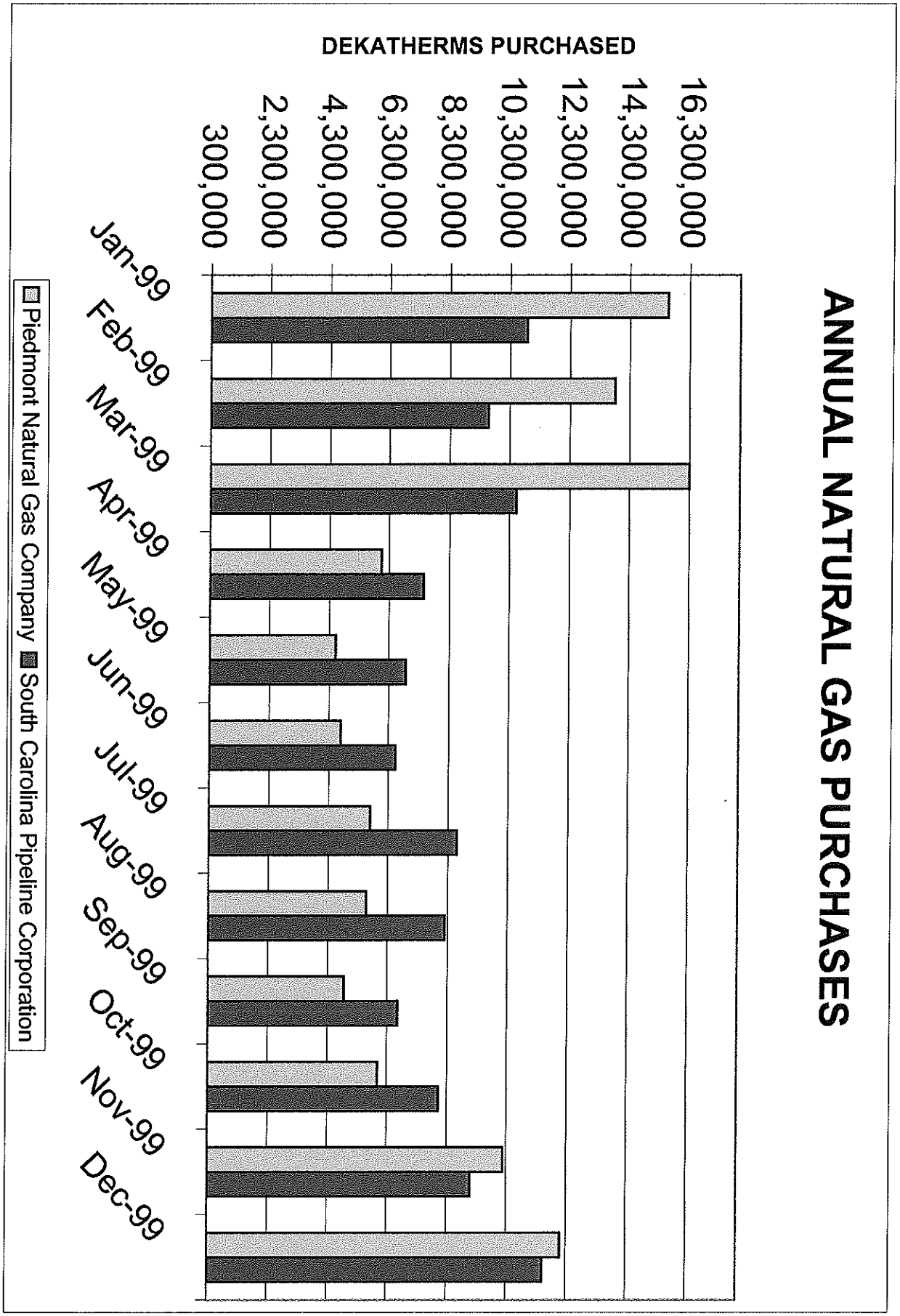
A. Natural gas utilities, the interstate transmission companies and the fact that the largest number of natural gas drilling rigs are exploring for natural gas reserves leads me to believe the natural gas industry is willing and capable to meet the demand for natural gas in the next ten years.

Commodity prices today for natural gas are market based. This winter we are experiencing how changes in demand for this commodity will affect the market price of the commodity. As electric utilities and independent power producers continue to recognize natural gas as a valuable resource for meeting the growing demand for electricity, I am confident the natural gas industry will meet its obligation. Certainly there will be times when the market will have to adjust to change. We have seen this occur when severe weather such as hurricanes have been projected to travel through natural gas production areas such as the Gulf of Mexico. The market

today is adjusting to one of the coldest winters on record, and will continue to adjust to environmental issues relating to emissions as well as natural gas being the preferred fuel for electric generation. South Carolina Pipeline Corporation and Piedmont Natural Gas Company together serve approximately 488,700 of the 580,462 total natural gas customers in South Carolina. Based upon the testimony presented, it is Staff's position that there will be minimal impact, if any, resulting from approval of Greenville Generating Company's application before the Commission today.

Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?

A. Yes, it does.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Piedmont Natural Gas Company
South Carolina Pipeline Corporation

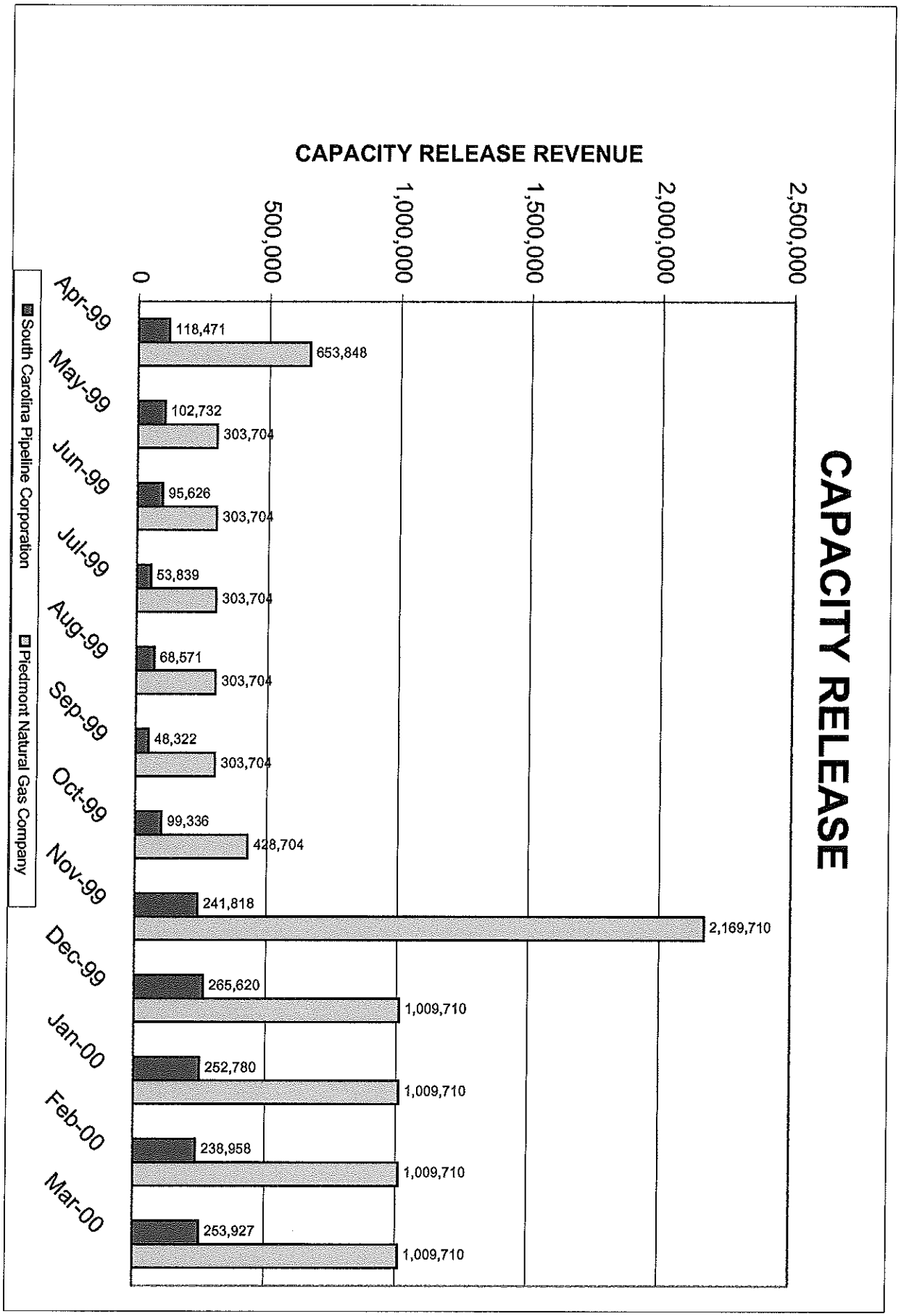

Exhibit BLS 2